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AZ CORP COMMISSION
DOCKET CONTROL

December 21, 2007

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

DEC 21 2007

RE: RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN
Docket No. E-01345A-07-0468

DOCKETED BY	
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Dear Mr. Johnson:

As discussed in the APS/Solar Advocates collaborative letter filed with the Commission on December 17, 2007, APS hereby submits the attached exhibits detailing the funding for the alternative Implementation Plan proposed by APS and Solar Advocates. While the majority of the exhibits filed by APS on August 30, 2007 remain unchanged under this alternative proposal, the exhibits attached to this letter reflect the changes necessary for implementation of the proposed alternative for 2008. The exhibits filed on August 30, 2007 remain unchanged for 2009 and beyond. The modifications are intended to represent the alternative proposal put forth by APS and Solar advocates for the initial year, 2008, under the RES.

Attachment A:

Attachment A contains three exhibits modeled after the exhibits filed by APS on August 30, 2007. The exhibits are labeled Exhibit 2, 4B, and 4C to maintain consistency with the August 30, 2007 filing. Exhibit 2 shows the proposed line item budget for 2008. The columns show the budget as filed by APS, the budget proposed by APS and Solar Advocates, and the two step levels to reach the proposed budget assuming certain residential customer participation level triggers are met as discussed in the APS/Solar Advocates collaborative letter. Similar to Exhibit 2, Exhibits 4B and 4C detail the agreed-upon proposal in Residential incentives, the Distributed Energy projected program outcomes based on the proposal as originally filed, and the two step proposal offered by APS and Solar Advocates.

Attachment B:

Attachment B contains two versions of the RES Adjustment Schedule, one for each of the two steps proposed by APS and Solar Advocates. As discussed in the APS/Solar Advocates collaborative letter, APS is requesting approval to begin with the Step 1 Adjustment Schedule and then, with prior notice, automatically implement the Step 2 Adjustment Schedule if the triggers discussed in the letter are met. APS would provide notice to the ACC, Staff and interested stakeholders that one of the agreed upon triggers had been met and APS would make the Step 2 Adjustment Schedule effective within 30 days. APS is requesting that the ACC approve both the Step 1 and Step 2 Adjustment Schedules at this time to allow for expedited implementation and to minimize the risk of interrupting the availability of distributed incentives to customers.

Attachment C:

Attachment C shows the estimated revenue APS would receive depending on the month the Step 2 caps and charges were implemented. As noted in Attachment A, Exhibit 2 the annualized additional funding from Step 2 would be approximately \$6.8 million; however, the portion of the \$6.8 million actually collected would vary depending on the month the increase were implemented. For example, if the increase to Step 2 were to be effective July 1, 2008 APS would collect approximately \$3.5 million of the \$6.8 million in the remainder of 2008.

If you or your staff have any questions about the enclosed information, please call Jeff Johnson at 602-250-2661.

Sincerely,

Barbara Klemstine /sc

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BK/rcm

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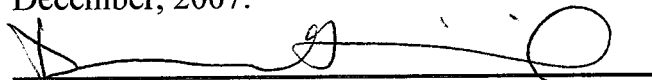
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Attachment A

APS/Solar Advocates Alternative Supplemental Schedules

Exhibit 2: 2008 APS RES Budget Summary as Proposed (\$ MM)

EXHIBIT 2: 2006 AT CRES

	Anticipated APS Funding Filed August 30, 2007	APS/Solar Advocates Alternative Plan			
		Revised Total	Step 1 Proposed Funding	Step 2 Additional Funding	
Renewable Generation:					
Energy Purchase	\$ 5.3	\$ 5.3	\$ 5.3	\$ -	
Administration	0.7	0.7	0.7	-	
Implementation	0.4	0.4	0.4	-	
Commercialization & Integration	0.5	0.5	0.5	-	
Renewable Generation - Subtotal	6.9	6.9	6.9	-	
Estimated Green Power Revenue	(1.0)	(1.0)	(1.0)	-	
Renewable Generation - RES	\$ 5.9	\$ 5.9	\$ 5.9	\$ -	
Distributed Energy:					
Incentives	\$ 28.7	\$ 28.7	\$ 22.7	\$ 6.0	
Customer Self Directed	-	-	-	-	
Administration	1.6	1.6	1.4	0.2	
Implementation	5.2	5.2	4.6	0.6	
Marketing & Outreach	6.3	4.8	4.8	-	
Commercialization & Integration	0.5	0.5	0.5	-	
Distributed Energy - Subtotal	\$ 42.3	\$ 40.8	\$ 34.0	\$ 6.8	
NET TOTAL					
	\$ 48.2	\$ 46.7	\$ 39.9	\$ 6.8	
2007 Estimated Incentive Roll-over ¹					
		(3.0)	(3.0)		
TOTAL					
	\$ 48.2	\$ 43.7	\$ 36.9	\$ 6.8	

Notes:

- (1) The Estimated Incentive Roll-over represents the anticipated unspent incentive dollars from 2007.
- (2) Represents the annualized collection resulting from affecting Step 2 funding. Actual collection resulting from Step 2 will vary based on the month the increase is put in place. See Attachment C for details.

Exhibit 4B: 2008 APS Distributed Energy Projected Program Outcomes

	Amended APS Plan Filed August 30, 2007	APS/Solar Advocates Alternative		
		Revised Total	Step 1 Proposed Funding	Step 2 Additional Funding
Annual Program Cost (\$000s)				
Residential UFI	26,055	26,055	20,079	5,975
Residential PBI	-	-	-	-
Sub-Total Residential	26,055	26,055	20,079	5,975
Non-Residential UFI	661	661	661	-
Non-Residential PBI	979	979	979	-
Sub-Total Non-Residential	1,640	1,640	1,640	-
Total Residential and Non-Residential	27,695	27,695	21,719	5,975
UFI	26,715	26,715	20,740	5,975
PBI	979	979	979	-
Existing PBI Commitments	1,000	1,000	1,000	-
Total UFI & PBI	28,695	28,695	22,719	5,975
Annual Energy Production (MWh)				
Residential	25,809	25,809	21,138	4,671
Non-Residential	25,809	25,809	25,809	-
Total Residential and Non-Residential	51,619	51,619	46,947	4,671
UFI	30,138	30,138	25,466	4,671
PBI	21,481	21,481	21,481	-
Total UFI & PBI	51,619	51,619	46,947	4,671
Incremental Installed Capacity (kW)				
Residential UFI	6,206	6,206	4,782	1,423
Residential PBI	-	-	-	-
Sub-Total Residential	6,206	6,206	4,782	1,423
Non-Residential UFI	38	38	38	-
Non-Residential PBI	3,637	3,637	3,637	-
Sub-Total Non-Residential	3,675	3,675	3,675	-
Total Residential and Non-Residential	9,880	9,880	8,457	1,423
Cumulative Total				
Residential	7,863	7,863	6,440	1,423
Non-Residential	5,509	5,509	5,509	-
Total Residential and Non-Residential	13,372	13,372	11,949	1,423
Incremental Number of Installations				
Residential UFI	7,355	7,355	5,668	1,687
Residential PBI	-	-	-	-
Sub-Total Residential	7,355	7,355	5,668	1,687
Non-Residential UFI	69	69	69	-
Non-Residential PBI	57	57	57	-
Sub-Total Non-Residential	126	126	126	-
Total Residential and Non-Residential	7,481	7,481	5,794	1,687
Cumulative Total				
Residential	9,320	9,320	7,633	1,687
Non-Residential	189	189	189	-
	9,509	9,509	7,821	1,688
Cumulative Installed Capacity (kW)				
Residential UFI	7,863	7,863	6,440	1,423
Residential PBI	-	-	-	-
Sub-Total Residential	7,863	7,863	6,440	1,423
Non-Residential UFI	57	57	57	-
Non-Residential PBI	5,452	5,452	5,452	-
Sub-Total Non-Residential	5,509	5,509	5,509	-
Total Residential and Non-Residential	13,372	13,372	11,949	1,423
UFI	7,920	7,920	6,497	1,423
PBI	5,452	5,452	5,452	-
FYS	-	-	-	-
Total UFI & PBI	13,372	13,372	11,949	1,423
Cumulative Number of Installations				
Residential UFI	9,320	9,320	7,633	1,687
Residential PBI	-	-	-	-
Sub-Total Residential	9,320	9,320	7,633	1,687
Non-Residential UFI	104	104	104	-
Non-Residential PBI	85	85	85	-
Sub-Total Non-Residential	189	189	189	-
Total Residential and Non-Residential	9,508	9,508	7,821	1,687
UFI	9,423	9,423	7,736	1,687
PBI	85	85	85	-
Total UFI & PBI	9,508	9,508	7,821	1,687

Exhibit 4C: 2008 APS Distributed Energy Projected Program Outcomes by Technology

Exhibit 4D: 2007 APD Distributed Energy Program	Amended APS Plan Filed August 30, 2007				APS/Solar Advocates Alternative Plan														
	# Installs	MWths	kW		# Installs	MWths	kW	Revised Total	# Installs	MWths	kW	Step 1 Proposed Funding	# Installs	MWths	kW	Step 2 Additional Funding	# Installs	MWths	kW
BIOMASS/BIOGAS (electric)	1.3	617	101		1.3	617	101		1.3	617	101		1.3	617	101		-	-	-
BIOGAS/BIOMASS - CHP (electric)	2.5	2,561	418		2.5	2,561	418		2.5	2,561	418		2.5	2,561	418		-	-	-
BIOGAS/BIOMASS - CHP (thermal)	2.5	5,138	838		2.5	5,138	838		2.5	5,138	838		2.5	5,138	838		-	-	-
BIOMASS/BIOGAS (thermal)	5.7	1,984	566		5.7	1,984	566		5.7	1,984	566		5.7	1,984	566		-	-	-
BIOMASS/BIOGAS (cooling)	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
NON-RESIDENTIAL DAYLIGHTING ⁽¹⁾	56.6	2,831	NA		56.6	2,831	NA		56.6	2,831	NA		56.6	2,831	NA		-	-	NA
FUEL CELLS																			
GEO THERMAL - (electric)	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
GEO THERMAL - (thermal)	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
HYDROELECTRIC																			
NON-RESIDENTIAL PV - small	12.6	56	38		12.6	56	38		12.6	56	38		12.6	56	38		-	-	-
SMALL WIND (off-grid)	91.9	906	414		91.9	906	414		91.9	906	414		70.9	698	319		21.1	208	95
SOLAR ELECTRIC:																			
RESIDENTIAL (GRID-TIED)	1,838.7	8,215	5,516		1,838.7	8,215	5,516		1,838.7	8,215	5,516		1,417.0	6,331	4,251		421.7	1,884	1,265
NON-RESIDENTIAL (GRID-TIED)	31.5	2,480	1,573		31.5	2,480	1,573		31.5	2,480	1,573		31.5	2,480	1,573		-	-	-
RESIDENTIAL (OFF-GRID)	137.9	411	276		137.9	411	276		137.9	411	276		106.3	317	213		31.6	94	63
NON-RESIDENTIAL (OFF-GRID)	3.1	23	16		3.1	23	16		3.1	23	16		3.1	23	16		-	-	-
SOLAR SPACE COOLING	0.6	204	126		0.6	204	126		0.6	204	126		0.6	204	126		-	-	-
SOLAR WATER HEATING / SPACE HEATING ⁽¹⁾	6.3	1,007	NA		6.3	1,007	NA		6.3	1,007	NA		6.3	1,007	NA		-	-	NA
SMALL SOLAR WATER HEATING ⁽¹⁾	5,286.2	10,837	NA		5,286.2	10,837	NA		5,286.2	10,837	NA		4,073.9	8,351	NA		1,212.4	2,485	NA
NON-RESIDENTIAL POOL HEATING ⁽¹⁾	3.1	315	NA		3.1	315	NA		3.1	315	NA		3.1	315	NA		-	-	NA
Total - Incremental	7,481	37,584	9,880		7,481	37,584	9,880		7,481	37,584	9,880		5,794	32,913	8,457		1,687	4,671	1,423
Total - Cumulative	9,508	51,619	13,372		9,508	51,619	13,372		9,508	51,619	13,372		7,821	46,947	11,949		1,687	4,671	1,423

1) System capacity and size is depicted in kWh as these items are not electrical generators

Attachment B

**APS/Solar Advocates Alternative
RES Adjustment Schedules**



**AMENDED (STEP 1)
ADJUSTMENT SCHEDULE RES
RENEWABLE ENERGY STANDARD**

APPLICATION

The Renewable Energy Standard Surcharge shall apply to all retail Standard Offer or Direct Access service, excluding kWh served in accordance with rate schedules, SP-1 (Solar Partners), Solar-2, Solar-3, and Adjustment Schedules GPS-1 and GPS-2. All provisions of the customer's current applicable rate schedule will apply in addition to this surcharge. From time to time the RES program spending requirements will be evaluated and if necessary the charge and/or caps will be altered if approved by the Commission. Any new charges/caps will be applied in billing cycle 1 beginning in the month following Commission approval and will not be prorated. The RES Adjustment Charge and the Demand Side Management Adjustment Charge may be combined on the customer's bill and shown on the "Environmental Benefits Surcharge" line.

RATES

The bill shall be calculated at the following rates:

All kWh	\$0.003388	per kWh
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SURCHARGE LIMITS

The monthly total of the Renewable Energy Standard Adjustment Charge shall not exceed the following limits:

Residential Customers	\$1.36	per service per month
Non-residential Customers	\$50.33	per service per month
Non-residential Customers with demand of 3,000 kW or higher per month for three consecutive months	\$150.99	per service per month



AMENDED (STEP 2)
ADJUSTMENT SCHEDULE RES
RENEWABLE ENERGY STANDARD

APPLICATION

The Renewable Energy Standard Surcharge shall apply to all retail Standard Offer or Direct Access service, excluding kWh served in accordance with rate schedules, SP-1 (Solar Partners), Solar-2, Solar-3, and Adjustment Schedules GPS-1 and GPS-2. All provisions of the customer's current applicable rate schedule will apply in addition to this surcharge. From time to time the RES program spending requirements will be evaluated and if necessary the charge and/or caps will be altered if approved by the Commission. Any new charges/caps will be applied in billing cycle 1 beginning in the month following Commission approval and will not be prorated. The RES Adjustment Charge and the Demand Side Management Adjustment Charge may be combined on the customer's bill and shown on the "Environmental Benefits Surcharge" line.

This Adjustment Schedule RES (Step 2) supersedes Adjustment Schedule RES (Step 1) and is effective XXXXX.

RATES

The bill shall be calculated at the following rates:

All kWh	\$0.004137	per kWh
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SURCHARGE LIMITS

The monthly total of the Renewable Energy Standard Adjustment Charge shall not exceed the following limits:

Residential Customers	\$1.65	per service per month
Non-residential Customers	\$61.47	per service per month
Non-residential Customers with demand of 3,000 kW or higher per month for three consecutive months	\$184.41	per service per month

Attachment C

**APS/Solar Advocates Alternative
Funding Collection Estimates**

ARIZONA PUBLIC SERVICE COMPANY
Distribution of Funding by Step 2 Implementation Month
(In Millions)

	Step 2 Additional Funding
Total 2008	\$ 6.8
Month Additional Funding Increase is Implemented:	
January	\$ 6.8
February	\$ 6.3
March	\$ 5.7
April	\$ 5.2
May	\$ 4.7
June	\$ 4.1
July	\$ 3.5
August	\$ 2.9
September	\$ 2.3
October	\$ 1.7
November	\$ 1.1
December	\$ 0.6

Notes:

For example purposes only, actual collections will vary by the timing of Commission approval, customer count, retail sales, and other factors. The calculations were made using monthly 2006 historical data to project the approximate portion of the increase from Step 1 to Step 2 that would be collected.